



ezytax
BLUE

chapter 7
income tests



CHAPTER 7 – INCOME TESTS

Items IT1 to IT7 if any of the following apply to you.

- You have a payment summary showing a total reportable fringe benefits amount or reportable employer superannuation contributions.
- You received family payments, childcare benefits, or a tax-free pension from Centrelink or the Department of Veterans' Affairs.
- Your child received student payments from Centrelink based on parental income.
- You hold a Commonwealth seniors health card.
- You paid child support.
- You have a Higher Education Loan Program (HELP) or Student Financial Supplement Scheme (SFSS) debt.
- You completed any of the following items on your:
 - 12 Employee share schemes where you wrote an amount at D
 - T1 Spouse (without dependent child or student), child-housekeeper or housekeeper tax offset
 - T2 Senior Australians tax offset
 - T3 Pensioner tax offset
 - M2 Medicare levy surcharge where you printed X in the No box at E
 - T7 Superannuation contributions on behalf of your spouse tax offset
 - T10 Parent, spouse's parent or invalid relative tax offset
 - T12 Net income from working – supplementary section
 - T13 Entrepreneurs tax offset if the proposed amendments at item T13 have become law
- or you choose to complete the relevant items anyway
- *Business and professional items schedule for individuals 2018*
- – P9 Business loss activity details.

We need the information requested in this section to accurately assess your tax liability, including any Medicare levy surcharge and HELP or SFSS repayment liability you may have. We may also pass this information to other government agencies such as Centrelink which will use the information to ensure you are receiving your full entitlement to government benefits

If you have a spouse, you must provide similar information about them at Spouse details – married or de facto.

IT1 TOTAL REPORTABLE FRINGE BENEFITS AMOUNTS

This question is about reportable fringe benefits amounts that you received. Do not show an amount less than \$3,738. **Auto fills from Item 1.**

IT2 REPORTABLE EMPLOYER SUPERANNUATION CONTRIBUTIONS

This section applies if your employer made Reportable Super Contributions on your behalf. **Auto fills from Item 1.**

IT3 TAX-FREE GOVERNMENT PENSIONS OR BENEFITS FOR THE PURPOSES OF THE INCOME TESTS

Do not include at this item:

- Australian Government allowances and payments that you have included at item 5
- Australian Government pensions and allowances that you have included at item 6
- annuities and superannuation income streams that you have included at item 7.

Income tax is not paid on tax-free government pensions or benefits, however, those pensions or benefits are taken into account when working out your adjusted taxable income (ATI). Your ATI may affect your eligibility for certain tax offsets.

If prefill shows tax free pension such as Disability Support Pension, you **MUST** enter it here.

IT4 TARGET FOREIGN INCOME

Target foreign income is:

- any income earned, derived or received from sources outside Australia

- a periodical payment by way of gifts or allowances from a source outside Australia
- a periodical benefit by way of gifts or allowances from a source outside Australia provided that the amount has not been
 - included in your taxable income, or
 - received in the form of a fringe benefit.

Types of foreign income you need to show at this item include:

- regular receipts of money and gifts from relatives living overseas which are exempt from Australian tax
- income from foreign business interests and investments, which are exempt from Australian tax, including income received by migrants with business interests in their country of origin
- foreign source income received while you were a temporary resident that is exempt from Australian tax
- the amount of exempt foreign employment income you have shown at N item 20.

Auto fills from Item 20.

IT5 NET FINANCIAL INVESTMENT LOSS

Applies if the taxpayer receives income from or claims deductions in relation to any of the following types of investments:

- shares
- an interest in a managed investment scheme
- rights or options in respect of any of your shares or interests in a managed investment scheme
- distributions from a partnership that included income or losses from an investment listed above
- interests in trusts that you provided consideration to acquire
- any investment that is of a similar nature to those listed above

We Consider that if a financial investment is held by a trust then for the purposes of the income tests the trustee will generally be the owner of the investment.

The loss you show at this item is the amount by which your deductions relating to your financial investments exceed your income from those investments. Do not include any of the following when calculating your net financial investment loss:

- interest from your everyday transactions accounts
- capital gains
- capital losses.

The net financial investment loss does not affect the way you work out the taxable

income. The taxpayers are still able to claim allowable tax deductions for expenditure they make in relation to their financial investments.

You will need account statements or other documentation from their financial institution or other sources that show their financial investment income. You will also need documentation showing the amount of deductions they can claim in respect of their financial investments (such as interest).

If they are a partner in a partnership you will need a statement or advice showing the amount of net financial investment income or loss.

Managed investment schemes

The customer will need to tell you if their investment is a managed investment scheme (that is, a scheme registered under the *Corporations Act 2001*).

Managed schemes include:

- cash management trusts
- property trusts
- Australian equity (share) trusts
- international equity trusts
- agricultural schemes (which include horticultural, aquaculture and commercial horse breeding schemes)
- some film schemes
- some time-share schemes
- some mortgage schemes
- actively managed strata title schemes.

Investments that are not managed investment schemes include:

- regulated superannuation funds
- approved deposit funds
- debentures issued by a body corporate
- barter schemes
- franchises
- direct purchases of shares or other securities
- schemes operated by an Australian bank in the ordinary course of banking business (such as term deposits).
- Forestry managed investment schemes

Rights and options

To work out their financial investment loss, you need to include income and deductions from rights and options they hold over shares, and interests in managed investment schemes. Rights and options include:

- warrants
- future contracts
- options.

Deductions

Allowable deductions you can claim for an investment include, but are not limited to, expenses you pay to:

- borrow money to purchase an investment
- manage your investments
- obtain advice about changes in the mix of your investments.

The expenses should be taken into account only to the extent that they are attributable to your financial investments.

Auto fills from Item 13 and Item 23.

IT6 NET RENTAL PROPERTY LOSS

This item is about the net loss, if any, from any rental property the taxpayer owned. This question is not about capital gains or capital losses from their rental properties.

The net rental property loss that you work out here does not affect the way we work out your taxable income. You can still claim allowable tax deductions for expenditure on their rental properties.

You need details and records showing your Australian rent, foreign rent and your share of any rent that they received as a partner in a partnership. You will also need documentation showing the amount of any deductions that they are entitled to in respect of that rent. You need a statement of partnership distribution (the partnership tax return statement of distribution) showing their share of the net rental income or loss from their partnership.

We consider that if the rental property is held by a trust then for the purposes of the income tests the trustee will generally be the owner of the property.

Auto fills from Item 21.

IT7 CHILD SUPPORT YOU PAID

This item is about amounts they taxpayer paid or benefits they provided to another person other than their partner for the maintenance of their natural or adopted child. Note: Do not include amounts they paid or provided to a person to acquire goods or

services.

You will need to know, or work out from the taxpayers records, the total amounts they paid or benefits they provided for the maintenance of their child during 2020-21.

Goto (F2)

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IT1 Total reportable fringe benefits amounts

Employers exempt from FBT under section 57A of the FBTA 1986 **N**

Employers not exempt from FBT under section 57A of the FBTA 1986 **W**

Enter relevant amounts at item 1

The amount at IT1 is zero

IT2 Reportable employer superannuation contributions **T**

The amount at IT2 is zero

IT3 Tax-free government pensions **U**

The amount at IT3 is zero

IT4 Target foreign income **V**

The amount at IT4 is zero

IT5 Net financial investment loss **X**

IT6 Net rental property loss **Y**

IT7 Child support you paid **Z**

The amount at IT7 is zero

IT8 Number of dependent children **D**

Enter relevant amount at item M2

Otherwise **tick** if the amount is Zero.